

November 27, 1996

Mr. J. Dale Jackson
Regulatory Oversight Manager
United States Department of Energy
P.O. Box 2001
Oak Ridge, TN 37831

SUBJECT: PADUCAH OBSERVATION REPORT 70-7001/96-203

Dear Mr. Jackson:

Enclosed for your information is a letter addressed to Mr. J. H. Miller, of the United States Enrichment Corporation (USEC), and a report on the special nuclear material physical inventory verification follow-up review conducted by the Nuclear Regulatory Commission (NRC) at the Paducah Gaseous Diffusion Plant (PGDP) from October 28-30, 1996. This report documents NRC observations as a part of our effort to assume regulatory oversight responsibility for PGDP from the Department of Energy (DOE).

During the review, NRC examined the Material Control and Accounting (MC&A) procedures, verified representative MC&A records, and interviewed personnel from the MC&A and Nuclear Materials Engineering departments. The review will enable NRC to establish a baseline inventory which will be used, along with monitoring of inventory adjustments, to provide confidence in the book inventory when NRC assumes regulatory oversight responsibilities. Staff from USEC Nuclear Regulatory Affairs, Lockheed Martin Utility Services, and DOE Site Safety were appraised of NRC observations during and at the conclusion of the review.

Under the provisions of 10 CFR 2.790, information concerning a licensee's MC&A program is exempt from public disclosure. Accordingly, the enclosure to this correspondence will not be placed in the public document room.

Sincerely,
(Original signed by)
Philip Ting, Chief
Fuel Cycle Operations Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

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Docket No. 70-7001

Enclosure: Observation Report No. 70-7001/96-203

cc w/o encl: J. H. Miller, USEC

S. A. Polston, Paducah General Manager
D. I. Allen, Portsmouth General Manager
S. Cowne, Nuclear Regulatory Affairs
J. Bracey, Manager, Nuclear Material Control
and Accountability

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